



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: March 20, 2012

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Land Sale Public Hearing

Grain Belt Marshall Street Site: Housing Parcel (1219 Marshall St. NE)
and Office Building (1215 Marshall St. NE)

Recommendation:

1. Approve the sale of 1215 Marshall Street NE for a purchase price of \$150,000 to Everwood Development LLC or to an affiliated, single asset entity for rehabilitation and commercial reuse;
2. Approve the sale of 1219 Marshall Street NE for a purchase price of \$1.4 million to Everwood Development LLC or to an affiliated, single asset entity for the development of a new rental apartment development; and
3. Authorize appropriate City officials to enter into a redevelopment contract or contracts and related documents in accordance with the terms herein, including the attached Term Sheet.

Previous Directives: On January 27, 2012, the City Council approved the selection of Everwood Development as the developer of the Housing Parcel and the Office Building.

Prepared by: Jerry LePage, Senior Project Coordinator, 612-673-5240
Kevin Carroll, Principal Project Coordinator, 612-673-5181

Approved by: Charles T. Lutz, Deputy CPED Director

Catherine A. Polasky, Director, Economic Development

Thomas A. Streitz, Director, Housing Policy & Development

Presenter in Committee: Jerry LePage, Senior Project Coordinator

Financial Impact

- Land sale proceeds, net of closing costs, and preliminary planning fund reimbursement for this property, will be deposited into the Development Account.
- Other financial impact: Elimination of property management costs. Return of both properties to tax rolls generating an estimated \$340,000 annually as redeveloped.

Community Impact

- Neighborhood Notification: During the fall of 2011, the Sheridan Neighborhood Organization (SNO) met to review the four proposals received in response to the RFP. SNO indicated its support of the selection of Everwood Development as the developer of the Office Building and the Housing Parcel.
- City Goals: A Safe Place to Call Home; Eco-Focused; Many People One Minneapolis; Jobs & Economic Vitality; Livable Communities Healthy Lives; and A City that Works.

- Comprehensive Plan: Section 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods; Section 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered; Section 4.9 Minneapolis will grow by increasing its supply of housing; Section 4.11 Minneapolis will improve the availability of housing options for its residents; 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand. On February 21, 2012, the City Planning Commission reviewed the proposed land sale and deemed it consistent with the City's Comprehensive Plan.
- Zoning Code: The current zoning for most of the Housing Parcel is consistent with the recommended proposal. A portion of the Housing Parcel still has a commercial zoning designation which may need to be changed. The housing project will also require replatting and the approval of a conditional use permit. The proposed office use for the Grain Belt Office Building is consistent with current zoning.
- Living Wage/Business Subsidy Agreement Yes_____ No X
- Job Linkage: Not applicable.
- Other: On January 27, 2012, the Planning Staff completed a land sale review of the proposed development and deemed it consistent with future land use plans and heritage preservation policy.

Supporting Information

PARCELS	ADDRESSES	SALE PRICE
GB-2 & 3A	1215 Marshall St. NE (Office Building)	\$ 150,000
GB-2, 3B, 11 & 14	1219 Marshall St. NE (Housing Parcel)	\$1,400,000

PURCHASER

Everwood Development LLC or an affiliated, single asset entity
3550 Labore Road, Suite 10
St. Paul, MN 55110

BACKGROUND

In 1989, the City of Minneapolis acquired the 14-acre Grain Belt Brewery complex in Northeast Minneapolis. To date, the City has successfully sold all the historic structures except for the Grain Belt Office Building. The Brew House and Boiler House were sold to Ryan Companies in 2000 (both are now leased to RSP Architects for their corporate headquarters). The Wagon Shed and Shop buildings were sold to the Minneapolis Public Library in 2002 for reuse as the Pierre Bottineau Library. The Warehouse and Bottling House were sold to Artspace in 2005 as lease space for artists and creative businesses.

The Grain Belt Marshall Street site consists of the historic Grain Belt Office Building (1215 Marshall) and the Housing Parcel (1219 Marshall) and is approximately 3 acres in area, including the portion of the site occupied by the Office Building. The Grain Belt Marshall Street site is part of the larger Grain Belt Brewery complex acquired in 1989. The site also includes two residential parcels that were acquired by the City in 2005. In December 2005, these two residential structures and the City-owned vacant Caswell Warehouse building were demolished which cleared the Housing Parcel for development. These acquisition, relocation, and demolition activities were funded with a Livable Communities grant from the Metropolitan Council.

The Grain Belt Marshall Street Site was originally offered for sale and development under an RFP that was issued in September of 2000. Through this RFP, the Sheridan Development Company (SDC) was selected as the developer for the Marshall Street site (including the Office Building), and also the riverfront housing site along the Grain Belt riverfront. However, SDC was ultimately unable to proceed with the development of either of these sites and lost its development rights to both by the end of 2006.

In 2007, the City held off on the issuance of a new RFP for the Housing Parcel due to the housing downturn that was occurring but decided to break off the Office Building Parcel to allow a separate RFP for stand-alone development. Two RFP's were issued for the Office Building over the past 4 years but neither produced a proposal that was approved by the City Council.

In the fall of 2010, it was evident that strong improvement in the rental housing market was occurring. CPED also began receiving inquiries from the development community about the availability of the Grain Belt Marshall Street site. In early 2011, it appeared that it was the right time to remarket the site. Therefore CPED decided to repackage the Housing Parcel and the Office Building as the Grain Belt Marshall Street site and to issue a new Request for Proposals (RFP) for the development of both under a common timetable.

On May 2, 2011, the City issued the RFP for the Grain Belt Marshall Street site. By the August 1st submission deadline, the City received proposals from four developers: 1) Griffin Companies, 2) Diversified Equities Corporation, 3) Collaborative Design Group, and 4) Everwood Development. On January 27, 2012, the City Council approved the selection of Everwood Development (Everwood) as the developer of the Office Building and the Housing Parcel and the granting of 12-month development rights for both parcels. Staff is now bringing forward this report to request approval of the actual sale of land to Everwood so that it has the site control necessary to apply for and secure its development financing.

PROPOSED DEVELOPMENT:

Everwood's proposal includes the rehabilitation of the Office Building and the development of a market rate housing project with approximately 150 units on the Housing Parcel. Everwood's development plan also incorporates the two essential design elements specified in the RFP (i.e. Brewery Square Plaza on the corner of Marshall and 13th Avenue and the Pedestrian Promenade traversing the site from Marshall to Main Street). There will be approximately 150 underground parking spaces and 30 surface spaces which will serve the Office Building and as guest parking for the housing. The project architect is Kaas Wilson Architects and the general contractor will be Frerichs Construction. Everwood and Kaas Wilson plan to locate their offices in the Office Building, moving from their current office locations in St. Paul. A copy of Everwood's development plan is attached to this report.

Everwood's financing plan is simple and straightforward. It does not involve any request for public assistance, which also has a beneficial effect on the development timetable and project readiness. The housing will be market rate rental and privately financed, either with a conventional loan or a HUD-insured loan. Everwood's concept for the site has been for market rate housing since it maintains that this can be supported by the market and it understands the City's interest in minimizing public subsidy, as expressed in the RFP evaluation criteria. Because of neighborhood concerns about better balance between ownership and rental housing, SNO has also stated its preference for a quality rental housing proposal that would be market rate and could be converted to ownership when the market improves.

Everwood will finance the acquisition and rehabilitation of the Office Building primarily through a private loan, with the possibility that some or all of the Office Building financing

could occur through the anticipated HUD 221 (d)(4) mortgage for the adjacent housing project since this HUD program allows up to 20% of loan proceeds for non-residential purposes. Everwood will also be seeking federal and state historic tax credits. It is proposing approximately \$1.8 million in improvements to the Office Building. No City subsidy will be required.

There are aspects of Everwood's proposed development/site plan that must be refined as it proceeds with its detailed planning and design. Everwood's plan for Brewery Square Plaza on the Housing Parcel requires some improvement, particularly with respect to its consistency with the underground Orth Brewery archaeological ruins. CPED Planning staff would also like to see design changes to the residential structures including, but not limited to, transitioning the building bulk to the surrounding lower density neighborhood, improving the pedestrian promenade and view corridor (i.e. eliminating the canyon-like effect), and providing active functions and/or architectural elements on the parking level adjacent to the plaza. These improvements and others will be recommended as part of the City's land use review process, which will also involve historical review by the HPC and possibly SHPO. The Sheridan Neighborhood Organization also shares these design concerns and will have opportunities to provide its input into these processes.

LAND DISPOSITION POLICY:

This property consists of the Housing Parcel which is a buildable lot as defined by City policy and is being sold for development and the Office Building Parcel which contains a building to be rehabilitated.

FINANCING:

The developer will be seeking a private loan (either conventional or HUD insured) that is expected to finance about 80% of the project costs for the Office Building and Housing Parcel (including acquisition), with the balance of the acquisition and construction costs to be funded by the developer in the form of equity and a deferred developer fee, and by equity generated through the syndication of Federal and State historic tax credits related to the Office Building.

OFFERING PROCEDURE:

Public Advertisement of a Request for Proposals for development of the Housing Parcel and the Office Building. The sales prices of these properties reflect their re-use value.

RECOMMENDATION:

Staff is recommending approval of the sale for redevelopment of the subject properties based on the terms of the attached term sheet. The development of these properties will be subject to a redevelopment contract, or contracts, incorporating these terms.

Term Sheet
Grain Belt Marshall Street Site Development

1. Property: 1215 Marshall Street NE, PID 1502924140110
Property: 1219 Marshall Street NE, PID 1502924140111
2. Purchaser/Owner: Everwood Development LLC or an affiliated, single asset entity
3. Minimum Improvements: The rehabilitation of the historic Grain Belt Office Building and the development of a market rate housing project with approximately 150 units on the Housing Parcel. There will be approximately 150 underground parking spaces and approximately 30 surface spaces, which will serve the Office Building and as guest parking for the housing. Everwood's development plan will also include two essential design elements specified in the RFP: Brewery Square Plaza on the corner of Marshall and 13th Avenue and the Pedestrian Promenade traversing the site from Marshall to Main Street.
4. Purchase Price for Office Building (1215 Marshall): \$150,000 (~23,250) sf of land area at \$6.45/sf).
Purchase Price for Housing Parcel (1219 Marshall): \$1,400,000 (~109,000 sf of land area at \$12.84/sf).
5. Environmental Clean Up: The developer will be responsible for any cleanup costs.
6. Closing Date (Office Building and Housing Parcel): not later than January 31, 2013
Construction start (Office Building and Housing Parcel): not later than February 28, 2013.
Completion (Office Building and Housing Parcel): not later than 18 months after closing.
7. Good Faith Deposit: 10% of total Purchase Price (\$1,550,000) for both parcels, which would be a deposit of \$155,000 at contract execution or 10% of the Purchase Price for each parcel if separate redevelopment contracts are entered into for the Office Building and Housing Parcels.
8. The responsibility for holding costs between the sale approval and closing for the Office Building and the Housing Parcel will be negotiated by City staff and the developer and will be included as a term in the development agreement.

**Authorizing sale of land Grain Belt Brewery Redevelopment Plan Disposition
Parcel No GB 2 & 3A.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel GB 2 & 3A in the Sheridan Neighborhood, from Everwood Development LLC or an affiliated, single asset entity, hereinafter known as the Redeveloper, the Parcel(s) GB 2 & 3A, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

GB 2 & 3A: 1215 Marshall Street NE

Lot 1, Block 1, Minneapolis Brewing Company Addition
Being Registered Land as evidenced by Certificate of Title No. 1316435

Whereas, the Redeveloper has offered to pay the sum of \$150,000, for Parcel GB 2 & 3A; the offer includes a development plan and commitment to improve by rehabilitating the existing structure. This offer is in accordance with the Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with accepted methods of aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, March 9, 2012, a public hearing on the proposed sale was duly held on March 20, 2012, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the re-use value, for uses in accordance with the Grain Belt Brewery Redevelopment Plan, as amended, is hereby estimated to be the sum of \$150,000, for Parcel GB 2 & 3A.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the Parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate official of the City.

**Authorizing sale of land Grain Belt Brewery Redevelopment Plan Disposition
Parcel No GB 2, 3B, 11 & 14.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel GB 2, 3B, 11 & 14, in the Sheridan Neighborhood, from Everwood Development LLC or an affiliated, single asset entity, hereinafter known as the Redeveloper, the Parcel GB 2, 3B, 11 & 14 being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

GB 2, 3B, 11 & 14; 1219 Marshall Street NE

Outlot A, Minneapolis Brewing Company Addition,
Being Registered Land in part as evidenced by Certificate of Title No. 1316435

Whereas, the Redeveloper has offered to pay the sum of \$1,400,000, for Parcel GB 2, 3B, 11 & 14 to the City for the land, and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with the accepted methods in aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on March 9, 2012, a public hearing on the proposed sale was duly held on March 20, 2012, at the regularly scheduled Community Development Committee meeting of the City Council, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

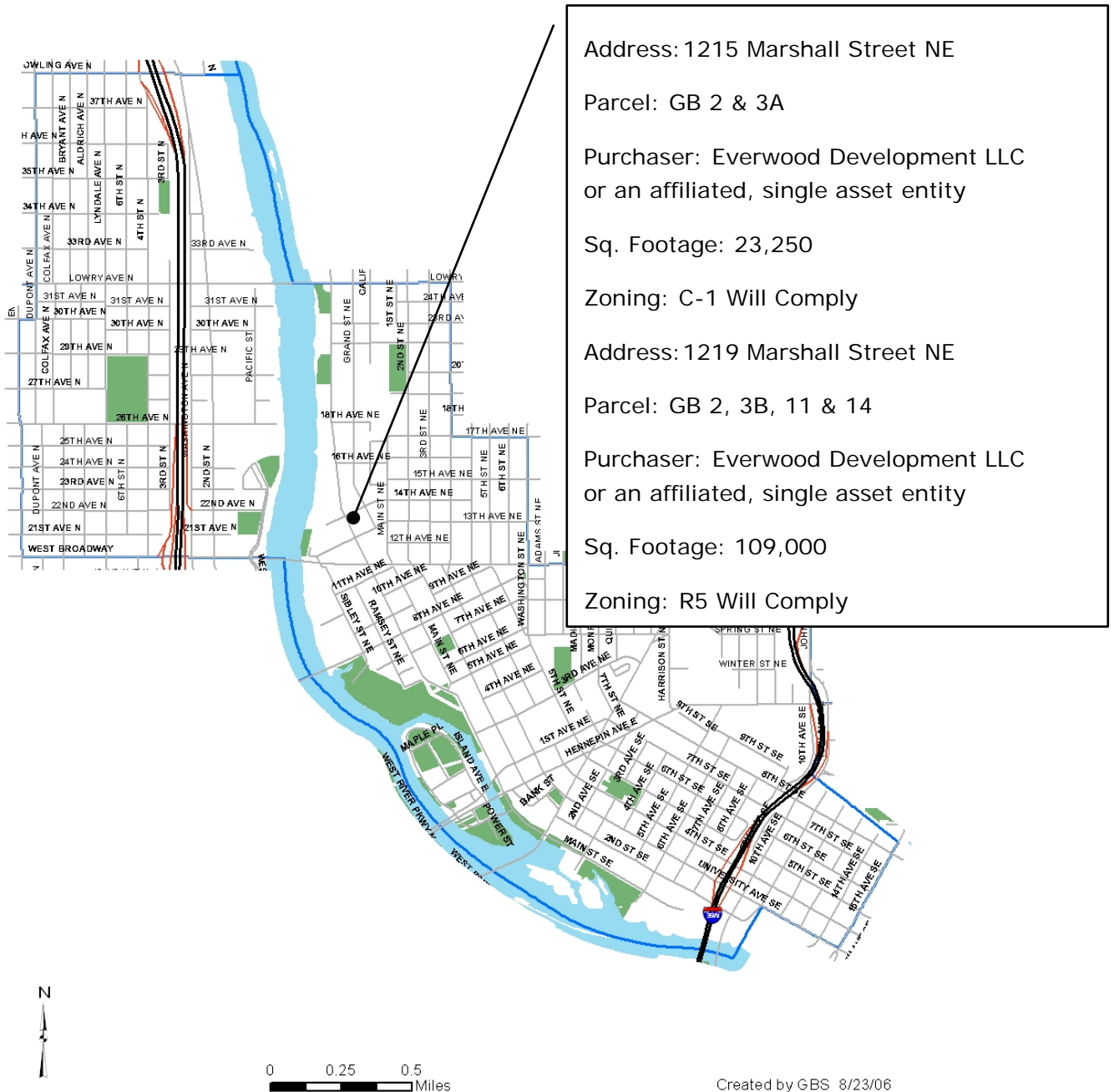
That the re-use value for uses in accordance with the Grain Belt Brewery Redevelopment Plan, as amended, is hereby estimated to be the sum of \$1,400,000 for Parcel GB 2, 3B, 11 & 14.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate City official of the City.

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TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: March 20, 2012

Subject: Land Sale – Public Hearing

Addresses: 1215 Marshall Street NE and 1219 Marshall Street NE

Purchaser: Everwood Development LLC or an affiliated, single asset entity

Disposition Parcel No. Acq Date	Address	Total CPED Costs*	Less Sales Price	Write Off
	GRAIN BELT OFFICE BLDG.			
GB 2 & 3A 2/17/1989	1215 Marshall Street NE	\$ 64,297 *	(-) \$150,000	- \$85,703
	HOUSING PARCEL			
GB2, 3B, 11 & 14 2/17/1989, 4/2/2005 & 9/16/2005	1219 Marshall Street NE	\$1,095,305**	(-) \$1,400,000	- \$304,695
	TOTAL – Office Building and Housing Parcel	\$1,159,602	(-) \$1,550,000	- \$390,398

* Includes the prorated costs of Office Building as a portion of the 1989 acquisition of the entire Grain Belt complex..

** Includes the prorated costs of the Housing Parcel as a portion of the 1989 acquisition of the entire Grain Belt complex, and additional acquisition costs funded by an LCDA grant from the Metropolitan Council.

Re-Use Value Opinion	Less Sales Price	Write-Down
\$150,000 (Office Building)	\$150,000	\$0
\$1,400,000 (Housing Parcel)	\$1,400,000	\$0

Write-Down

Reason: n/a

Developer History with CPED:

Everwood Development is currently working with the City on the **Lowry Crossings** project (3201 Lowry Avenue North), which involves the construction of 45 rental housing units and 10,000 SF of commercial space, and the **City Place Lofts** project (730 Hennepin), which involves the adaptive reuse of 8-story building with 45 rental housing units and approximately 5,000 SF of commercial space.

Developer Information:

- ☐ Single Individual(s)
☐ Married Individual(s)
☐ Limited Liability Partnership of the State of Minnesota
☒ Limited Liability Company of the State of Minnesota
☐ Corporation of the State of Minnesota
☐ Nonprofit Corporation of the State of Minnesota
☐ Other